

*Virtual Meeting
(in lieu of meeting at the 2021 Fall National Meeting)*

Capital Adequacy (E) Task Force
Wednesday, November 17, 2021
2:00 – 3:00 p.m. ET / 1:00 – 2:00 p.m. CT / 12:00 – 1:00 p.m. MT / 11:00 a.m. – 12:00 p.m. PT

Meeting Summary Report

The Capital Adequacy (E) Task Force met Nov. 17, 2021. During this meeting, the Task Force:

1. Adopted its Sept. 30, minutes, which included the following action:
 - A. Adopted its 2022 proposed charges.
2. Adopted the report of the Health Risk-Based Capital (E) Working Group, including its Nov. 4 minutes, the Working Group took the following action:
 - A. Exposed proposal 2021-18-H – benchmarking guidelines for investment income adjustment in the Underwriting Risk Factors, for a 30-day public comment period ending Dec. 3.
 - B. Adopted its revised Working Agenda to add an item to review the investment income adjustment annually and revised the priority to 3 for bond factors with a completion date of year-end 2023 or later.
 - C. Received an update from the American Academy of Actuaries regarding the H2 – Underwriting Risk Component Review.
 - D. Received an update on the Excessive Growth Charge Ad Hoc Group and Health Test Ad Hoc Group.
 - E. Discussed incorporating pandemic risk into the Health RBC Formula.
3. Adopted the report of the Life Risk-Based Capital (E) Working Group, which met Nov. 9 and took the following action:
 - A. Adopted its Summer National Meeting minutes.
 - B. Exposed its guidance document on band factor changes for a 30-day comment period ending Dec. 9.
 - C. Exposed the American Academy of Actuaries' (Academy's) C2 Mortality Risk Work Group recommendation on mortality factor updates for a 60-day public comment period ending Jan. 10, 2022.
4. Adopted the report of the Property and Casualty Risk-Based Capital (E) Working Group, which met Oct. 25, and took the following action:
 - A. Adopted its Summer National Meeting minutes, which included the following action:
 - i. Adopted its June 9 and April 27 minutes, which included the following action:
 - ii. Adopted proposal 2021-05-P (Underwriting Risk Line 1 Factors).
 - iii. Adopted proposal 2021-08-P (P/C Bond Factors and Instructions).
 - iv. Adopted proposal 2021-03-P (Credit Risk Instruction Modification).
 - v. Forwarded the response to the Restructuring Mechanisms (E) Subgroup.
 - vi. Heard a presentation on property/casualty (P/C) risk-based capital (RBC) underwriting risk factors from the American Academy of Actuaries (Academy).
 - B. Heard a report from the Catastrophe Risk (E) Subgroup, which included:
 - i. An update from the Catastrophe Model Technical Review Ad Hoc Group, which included Karen Clark & Company's (KCC's) and Risk Management Solution's (RMS's) written responses to the ad hoc group's questions on their wildfire models since the Summer National Meeting.



- ii. An overview of Catastrophe Risk (E) Subgroup Fall National Meeting, which will include the following items:
 - iii. Adopt its Sept. 28 minutes, which included the following action:
 - iv. Discussed its 2021 working agenda.
 - v. Heard a presentation from KCC regarding the KCC U.S. Wildfire Model.
 - vi. Discuss the possibility of allowing third-party models calculate the catastrophe model losses.
 - vii. Consider exposure of proposal 2021-15-CR (Adding KCC Model).
 - viii. Hear an update from the Catastrophe Model Technical Review Ad Hoc Group.
 - ix. Hear a presentation from RMS regarding its Wildfire High Definition (HD) Model.
 - x. Discuss the impact analysis on different third-party commercial wildfire models.
 - C. Exposed a draft recommendation to the Restructuring Mechanism (E) Subgroup for a 30-day public comment period ending Nov. 24. The draft recommendation was developed by the Property and Casualty Risk-Based Capital (E) Working Group, which included the findings and recommendation of the runoff companies.
 - D. Exposed proposal 2021-14-P (R3 Factor Adjustment) for a 30-day public comment period ending Nov. 24.
 - E. Heard an update on the status of the research on recommend adjustments to the formulas for premium and reserve risk to reflect the impact of interest rates from the Academy.
- 5. Adopted Proposal 2021-16-CR (2021 Catastrophe Event List)
 - 6. Adopted its Working Agenda.
 - 7. Discussed a memorandum to the Financial Condition (E) Committee requesting a new working group under the direction of the Capital Adequacy (E) Task Force.
 - 8. Heard a presentation from Risk Management Solutions (RMS) regarding its North America Wildfire High-Definition Model.

\\Ssoclusterfs\ssovol1\Shared\DATA\QA\RBC\CADTF\2021 Meeting Material\Fall\CADTF Summary _.docx